

FedEx is a Boost, Not an Economic Miracle

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Article:

No political debate is complete without a large dose of what we might call “dueling hyperbole.” This is especially true when the debate has to do with local economic development. Any project requiring public money or resources has supporters who portray it as an economic miracle and opponents who denounce it as a disaster waiting to happen.

An example of this was the 1998 referendum in Forsyth and Guilford counties over public funding of a baseball stadium. The referendum would have led to only a small increase in certain taxes, which is partly why stadium supporters were so surprised by its defeat.

I’m inclined to think the real reason for the outcome wasn’t a fear of slightly higher taxes, but instead a skeptical reaction to the extreme claim made by stadium supporters. If you recall, they said the stadium would be an important, if not essential, engine for economic development. Ultimately, voters just didn’t buy it.

This year the big local issue is the proposed FedEx hub at PTI Airport. Will the hub be a economic miracle or a disaster, or something in between? Let’s try to make sense of what we know so far.

First of all, let’s avoid the most common misconception about economic development, that economic benefits can be measured by counting how many jobs are created. It’s easy but misleading. At best it’s just a small part of the puzzle. Jobs generated by the new development are usually filled by people moving from other jobs, not off the unemployment rolls. Job-shifting is especially noticeable when new development enters low-unemployment economies like the Triad’s.

There have now been two professional studies of the expected economic impact of the hub, one by UNCG economist Don Jud and another by Regional Technology Strategies, a consulting firm hired by the Joseph M. Bryan Foundation and Z. Smith Reynolds Foundation.

Although both studies find significant benefits to the local economy, neither indicates that the hub will be a huge benefit all by itself. But the studies, taken together, paint a broader picture of what the hub could mean to the Triad economy.

Economic benefits derive from whether the new development can fill an important niche in the local economy. And on this score the FedEx hub is quite promising. Transportation and shipping (unlike baseball stadiums!) are increasingly important components of modern economies. Businesses hold inventory costs down by getting parts and components just in time for assembly. Products are manufactured in plants located in different states and countries. And consumers have come to expect quick delivery.

Low labor costs are the biggest reason for the continued importance of manufacturing in the Triad economy, but with a FedEx hub, convenient shipping would be added to the “pro” column by firms seeking to site facilities.

But as opponents of the FedEx hub point out, the economic effects are only part of the story. The environmental effects have yet to be estimated, and they will be part of the Federal Aviation Administration's evaluation of the hub proposal. Jet-engine emissions raise questions about air quality, run-off of fuels and solvents raises questions about water quality, and habitat is destroyed whenever construction of this magnitude is attempted.

These are all concerns, and like many others I await the FAA's analysis. But we should remember that these environmental problems will not be any worse simply because the proposed development is an air-cargo hub. Opposition to the hub would not be as vocal if the proposal involved a commercial or manufacturing complex of similar size. And if air quality is the concern, then the best way to tackle the problem is to go after that time-honored nemesis of clean air, the automobile.

Of course the environmental problem on most FedEx opponents' minds is noise pollution. Will the third runway generate intolerable noise as upwards of 60 cargo flights a day ply the early-morning skies?

The FAA's verdict has yet to be heard, but it appears that noise problems will be easier to solve than the other environmental problems. The Indianapolis airport employs a range of options for dealing with the problem, from outright land purchase to assistance with sound insulation. None of these options is perfect, but if the economic studies are right, the Triad economy will come out ahead even with such measures in place.

Opponents also argue that the Triad economy is healthy enough, thank you, without FedEx in their backyards. And indeed, FedEx won't solve all our economic problems. The best way to think about FedEx is that if it passes the FAA's environmental review, it can be the starting point of a comprehensive plan for regional economic development.

Some business leaders have wondered whether the defeat of the baseball-stadium tax spelled the end of regional efforts in economic development. The answer is no, but not because Triad voters didn't know how good they had it when the baseball stadium was proposed to them. The stadium was the wrong tool, but the FedEx hub can be part of the right one.